

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 SSO-00 TRSE-00 AGR-05 STR-04

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FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC IMMEDIATE 5100

INFO AMCONSUL RIO DE JANEIRO

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LIMITED OFFICIAL USE BRASILIA 3306

DEPT PASS TREASURY, AGRICULTURE AND STR

E. O. 11652: N/A

TAGS: EAGR, ETRD, BR

SUBJECT: DISCUSSION ON SOYBEAN PROBLEM - PARSKY VISIT

REFS: (A) BRASILIA 3106; (B) BRASILIA 3203

1. WE UNDERSTAND THAT DURING ASSISTANT SECRETARY PARSKY'S FORTHCOMING DISCUSSION WITH FINANCE MINISTER SIMONSEN CONCERNING THE AGENDA FOR SECRETARY SIMON'S VISIT, THE BRAZILIAN SIDE PLANS TO REVIEW BRAZILIAN PRICE SUPPORT AND EXPORT POLICIES FOR SOYBEANS. DEPARTMENT AND USDA SHOULD MAKE CERTAIN THAT TREASURY TEAM IS FULLY BRIEFED ON CURRENT US POLICY AND ON ALL ASPECTS OF THE ISSUE. THERE IS POSSIBILITY THAT THE DIRECTOR OF CACEX, BENEDITO FONSECA MOREIRA, WHO IS CHAIRING A SOYBEAN WORKING GROUP, WILL BE CALLED FROM RIO TO PARTICIPATE IN THIS MEETING.

2. BRAZILIAN POLICY IS NOT YET SETTLED AND DECISION MAY, IN FACT, BE INFLUENCED BY US VIEWS. ISSUE HAS DEVELOPED INTO SEVERE POLICY CONFLICT BETWEEN
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MINISTRIES OF FINANCE AND AGRICULTURE. SIMONSEN, WHO

YESTERDAY CHAIRED MEETING WITHOUT MINISTRY OF AGRICULTURE PARTICIPATION, IS REPORTED TO HAVE REAFFIRMED (A) THE GOVERNMENT'S COMMITMENT TO ENSURE GROWERS A CR\$80 PRICE PER 60 KILO BAG; AND (B) MAINTENANCE OF THE 20 PERCENT (10 PLUS 10) IPI/ICM EXPORT CREDIT FOR OIL.

3. ACCORDING TO PRESS REPORTS, AFTER YESTERDAY'S MEETING, THE MINISTER SAID THAT THE CR\$80 PRICE TO GROWERS WAS GUARANTEED BY THE LAST TWO DEVALUATIONS AND BY A FINANCING SYSTEM WHICH WOULD REDUCE THE COSTS OF TRANSPORTATION AND STORAGE OF THE CROP. THE ICM SALES TAX WOULD NOT BE TOUCHED. THERE WOULD BE A REDUCTION OF INTEREST RATES AND FINANCING OF ACQUISITION AND STORAGE OF THE PRODUCT IN A MANNER TO BE DETERMINED AT A MEETING ON MONDAY TO BE CONVENED BY CACEX IN RIO. THE TARGET PRICE SYSTEM, WHICH HAD BEEN ADVOCATED BY THE AGRICULTURE MINISTRY, WAS DEFINITELY NOT APPROVED BY THE FINANCE MINISTRY. THE PRESS REPORTS ALSO ACKNOWLEDGE, HOWEVER, THAT AT THE MEETING CHAIRED BY SIMONSEN THERE WAS CONSIDERABLE DISAGREEMENT ON THE FREIGHT COSTS INVOLVED. MINISTRY OF AGRICULTURE OFFICIALS APPARENTLY CONTINUE TO BELIEVE THAT THE CR\$80 PRICE IS SIGNIFICANTLY ABOVE THE WORLD MARKET PRICE AT THE CURRENT EXCHANGE RATE.
CRIMMINS

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